Innovative Funding Sources for Transportation Demand Management and Best Workplaces for Commuters℠

Tele-Seminars provide valuable information to help Best Workplaces for Commuters℠ Network members grow their own commuter programs and promote the Best Workplaces for Commuters℠ (BWC) brand. Moderated by the U.S. Environmental Protection Agency (EPA), these seminars feature experts on key topic areas.

On June 8, 2004, Best Workplaces for Commuters℠ held a Tele-Seminar to educate Network members about the different ways they can fund their transportation demand management (TDM) programs. Patty Klavon, EPA's national BWC Network manager, provided opening remarks and introduced the featured speakers.

Featured Participants

Peggy Schwartz, North Bethesda Transportation Management District

North Bethesda Transportation Management District (TMD), in Montgomery County, Maryland, serves 1,200 employers—80,000 employees—in the suburban Washington, DC area. The county created the TMD in 1994 to address traffic and air quality issues.

In proposing the TMD's creation, the county faced a considerable challenge: finding a way to fund it. The TMD team identified public parking charges-parking meter payments, parking violation fines, and monthly permits for public parking lots-as the best sources of revenue to support the program.

To raise enough money, the county needed to install more than 800 new parking meters in areas that had previously enjoyed free parking. To maximize the income for the program while not being an unfair burden to those who park in the county, the TMD team determined exactly where the parking meters were to be installed and how much they should charge. The team analyzed a number of factors, including the composition of business in the area (retail vs. office space) and the prevailing parking rates in nearby private garages to determine an effective placement strategy and rate schedule.

As preparations were made to install the new parking meters, the county conducted a major public outreach campaign to educate businesses and individuals about the new plan, its rates, and the TMD program that it would fund. The outreach campaign included:

- Presentations at community and business forums
- Flyers and information packets
- Information in the local register
- Articles and advertisements in local newspapers
- A hotline to answer questions and address concerns

Ms. Schwartz conceded that many people were not happy with the imposition of parking fees in their areas. She noted, though, that those people were responsive to explanations that emphasized that the funds would be used specifically for local TDM efforts.

Since 1996, the county's parking meters have generated gross revenues of over $240,000 per year, parking fines have generated $123,000 per year, and monthly parking permit sales have earned the county

$230,000 per year. After paying all operating costs, the net revenue for the three sources has averaged $400,000 per year. Ultimately, Ms. Schwartz reported that parking fees have been a significant, stable source of revenue for the Transportation Management District as well as other TDM programs in the area. (For more detailed information about North Bethesda TMA's parking fee program, visit http://tmi.cob.fsu.edu/act/conf/tmasum03/proceedings/Peggy%20Schwartz.pdf)

Jon Martz, VPSI

Jon Martz, Vice President for Government Relations at VPSI, spoke about a Federal Transit Administration (FTA) policy called the Capital Cost of Contracting. This policy allows FTA grantees such as state Departments of Transportation and regional Metropolitan Planning Organizations to use their federal capital grants to contract for transit services in a cost-effective way.

In the 1970s and early 1980s, when a local government organization contracted for transit/vanpool service, that cost of contracting was considered an operating cost, not a capital cost. FTA policy required that, for operating costs, local government organizations spend their own money at the same rate that they spend federal grant money. That is, for every dollar of federal grant money spent on transit contracting, the local government organization has to spend one dollar of its own (50% Federal / 50% State or Local). This was a disincentive for local governments to contract for transit/vanpool services, because if they operated transit programs themselves, they could claim higher capital costs—for which the FTA allowed federal grant money to be spent at four times the rate of local money (80% Federal / 20% State or Local).

In 1986, FTA developed a policy that allowed the capital costs of contractors (most often the depreciation of vehicles) to be considered capital costs to the local government who contracted that service. Federal capital grant money can be spent on that cost at a 4 to 1 ratio (80% Federal/20% State or Local). This policy is called the FTA Capital Cost of Contracting policy.

In addition, FTA provides assistance for maintenance of contractors' vehicles. Some local governments contract for both the transit/vanpool services and the maintenance of the vehicles—in such cases, FTA will provide assistance for preventative maintenance, and allow the Capital Cost of Contracting ratio to apply.

In order to avoid imposing burdensome accounting rules, FTA allows a certain percentage of contracted services' costs to be claimed, without further justification, as capital costs. The chart below describes the different categories of transit contracts and the percent of each contract that is eligible for the Capital Cost of Contracting ratio (4-to-1).

Type of Contract	Percent of Contract Eligible for Capital Cost of Contracting Ratio
1. Service Contract (contractor provides maintenance and transit/vanpool service; grantee provides vehicles)	40 percent
2. Service Contract (contractor provides transit/vanpool service only; grantee provides vehicles and maintenance)	0 percent
3. Vehicle Maintenance Contract (contractor provides maintenance; grantee provides vehicles and transit/vanpool service)	100 percent
4. Vehicle Lease Contract (contractor provides vehicles; grantee provides maintenance and transit/vanpool service)	100 percent
5. Maintenance/Lease Contract (contractor provides vehicles and maintenance; grantee provides transit/vanpool service)	100 percent
6. Turnkey Contract (contractor provides vehicles, maintenance, and transit/vanpool service)	50 percent
7. Vehicle/Service Contract (contractor provides vehicles and transit/vanpool service; grantee provides maintenance)	10 percent

Several local governments and transit agencies have taken advantage of this policy since 1986 for the provision of vanpool services, including agencies in Phoenix, Arizona; Houston, Texas; Chicago, Illinois; Richmond, Virginia; San Diego, California; and Minneapolis-St. Paul, Minnesota. They have found that the Capital Cost of Contracting policy allows them to use contractors cost-effectively.

There are a number of advantages to contracting for vanpool services, especially under the Capital Cost of Contracting policy:

- Services and vehicles can be purchased as needed (preventing the purchase of a fleet of vans that might sit idle for stretches of time).
- Maintenance and repair are subsidized by FTA.
- Insurance is provided by the contractor.

In conclusion, Mr. Martz noted that even though the policy has served to make contracting much more cost-effective. There are, however, many local governments and transit agencies that do not participate, but this particular mechanism provides them an outstanding way to do so. The process to secure FTA funding can be time-consuming, but the rewards for contracting under the Capital Cost of Contracting policy are substantial.

Christopher Park, Warner Center Transit Management Organization

Warner Center is located in the San Fernando Valley, California. It is the third largest urban center in Los Angles, housing 17 million square feet of commercial office space. Apartments and condominiums accommodate 5,000 residents, and there are a number of shopping centers, hospitals, and hotels in the area. Mr. Park described it as a place where people can live, play and work—a true mixed-use development.

In the late 1980s, the City of Los Angeles and the primary developer of Warner Center agreed that the growing community would need an effective TDM plan. So, when the developer first paid for use of the land, the payment included an additional $5 million contribution to a trust fund for the creation and support of a transit management organization (TMO). Now, for every commuter that a new developer's office space will attract, the developer must pay $3,500 into the trust fund. Every year, the TMO receives $85,000 from the fund to spend on transportation improvements (though it also receives separate funds specifically for public transit).

The fund itself covers many transportation improvements, such as:

- Widened roads
- Additional traffic lights
- Additional freeway lanes
- Improved public transit

Mr. Park concluded that programs by which developers contribute to trip mitigation funds are excellent examples of public/private collaboration that serves businesses, residents, and the city as a whole.

Susan Bullard, EPA Office of Transportation and Air Quality

Ms. Bullard contributed information about the Mobile Source Outreach Assistance Competition, a partnership effort in which federal, state, and local governments can participate to increase the public's awareness, understanding, and acceptance of the need to take action to reduce the impact of mobile sources (e.g., automobiles) on air quality.

The Outreach Assistance Competition, conducted by the Office of Transportation and Air Quality, will enter its eighth year in 2005. The program provides funding for local and regional air management agencies and encourages them to forge partnerships with other public health, transportation, business, and non-profit organizations involved in mobile source-related air quality issues. Award-winning outreach campaigns have sprung from these partnerships: "Save Planet Polluto" and "Air World," two of the 62 projects funded by the Outreach Assistance Competition, are not only being used across the country, but have stimulated international interest.

All projects and products developed under the Mobile Source Outreach Assistance Competition must be replicable and transferable to other state and local air management agencies. This approach ensures that significant benefits are leveraged from limited resources and that agencies share the products developed.

(Susan Bullard was not present at the Tele-Seminar, but contributed her notes for this summary.)

Open Discussion

David Straus, from the Artery Business Committee TMA, asked Jon Martz how a contractor can convince a regional transit authority (RTA) to contract for vanpool services covered by the Capital Cost of Contracting policy. Mr. Martz explained that many RTAs feel that they have no additional money to spend on contracted vanpool services. He suggested that the contractor explain to the RTA that federal grant money is available for these contracted services, and that there is a significant need for vanpools. He recommended that the contractor speak to the RTA's board of directors and the chief financial officer.

Paige West, from the Rogue Valley Transportation District, asked Peggy Schwartz if there was any negative reaction to the city's plan to install parking meters in what had previously been perceived as a suburban area. Ms. Schwartz responded that there was, in fact, some resistance to the installation of the new meters. She explained that those resistant to the meters responded well to outreach efforts that taught them about the use of the meters' revenue—that the money collected would be spent specifically on efforts to reduce parking demand and traffic congestion locally.

Theresa Werneke, from the Downtown Minneapolis TMO, asked Chris Park how Warner Center TMO spends its $85,000 dispensation from the Warner Center trust fund. He explained that $35,000 pays for administrative time—noting that many cities are not aware that the most costly but most effective aspect of a TDM program is the time that its staff spends working with and marketing to individuals to get them out of their cars and into public transit. The rest of the money is spent on a guaranteed ride home program and a vanpool incentive program. Mr. Park added that in addition to the $85,000 coming yearly from the trust fund, his TMO also receives $115,000 in revenue from member dues that are spent on additional TDM programs.

Cecelia McLaughlin, from TransVironmental Solutions, added that $14 million of California's revenues from vehicle registration fees are allocated yearly for TDM programs. In southern California, the Mobile Source Air Pollution Reduction Review Committee decides how funds will be distributed. Ms. McLaughlin explained that the committee is interested in publicizing the availability of funding for innovative TDM efforts, and commented on the appropriateness of vehicle registration fees being used to support trip reduction and TDM programs.

Shamus Misek, from the University of Illinois at Chicago's Urban Transportation Center, added that there are also other federal funding options for transit programs. He noted that the Congestion Mitigation and Air Quality Improvement Program was an excellent source of funding for acquiring vehicles. Additionally, the Job Access Reverse Commute program, designed to allow low-income workers to live in urban areas and commute to their suburban workplaces, also provided grants to his organization.

Closing

Ms. Klavon concluded by asking for feedback and encouraging Network members to participate in next month's seminar. She thanked everyone for participation in the Best Workplaces for Commuters℠ Network.

If you have questions for any of the speakers, please refer to the contact information:

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